



**MICHIGAN  
GROCCERS**

# **Small Business and Current Tax Proposals**

**House Tax Policy Committee  
February 27, 2007**

## **Michigan Small Business by the Numbers**

- Of the 214,316 businesses in Michigan with employees, 98.4 percent, or 210,887 were small firms (with fewer than 500 employees based on 2005 firm size data).
- 206,386 or 96.3 percent of those firms had less than 100 employees.
- In 2003, businesses with fewer than 500 workers employed 51.5 percent of the state's non-farm sector employees.
- In 2003, businesses with fewer than 100 workers employed 36.5 percent of the state's non-farm sector employees.
- Firms owned by women represented 29.6 percent of the state's total businesses (with and without paid employees) in 2002. These firms generated \$29.3 billion in revenues in 2002.
- Minority-Owned Firms represented 10% of the states total businesses (with and without paid employees) in 2002. These firms generated \$13.3 billion in revenues in 2002.



# Job Creation By Firm Size 2002-2003

<u>Number of Employees in 2002</u>	<u>Jobs these Firms Created by 2003</u>
1-4 employees	32,587
5-9 employees	7,690
10-19 employees	6,630
20-99 employees	5,411
less than 100 employees	52,318
100-499 employees	(712)
<u>500+ employees</u>	<u>(55,941)</u>

**Total net new jobs (4,335)**

*Source: SBA Office of Advocacy*

From 1991 to 2003, the cohort of businesses with 1-4 employees has been the only one that has added new jobs each and every year.

## **Currently Proposed Business Tax Plans**

### **Chamber Plans**

**Detroit Chamber**

**Grand Rapids Chamber**

**Michigan Chamber**

**Governor's Michigan Business Tax (MBT)**

**Senate Business Economic Stimulus Tax (BEST)**

**FAIR Sales Tax Proposal**





## The Plans

No Personal  
Property Tax  
relief

<u>Gross sales in state</u>	<u>Fee</u>	<u>Net \$500 million tax cut</u>
Under \$350,000	No tax	
\$350,001 to 500,000	\$1,000	
\$500,001 to 750,000	\$2,000	
\$750,001 to 1,000,000	\$2,500	
\$1,000,001 to 2,500,000	\$5,000	
\$2,500,001 to 5,000,000	\$7,500	
\$5,000,001 to 10,000,000	\$15,000	
\$10,000,001 to 20,000,000	\$30,000	
\$20,000,001 to 30,000,000	\$50,000	
\$30,000,001 to 40,000,000	\$75,000	
\$40,000,001 to 50,000,000	\$100,000	
\$50,000,001 to 60,000,000	\$150,000	
\$60,000,001 to 70,000,000	\$200,000	
\$70,000,001 to 80,000,000	\$250,000	
\$80,000,001 to 90,000,000	\$300,000	
\$90,000,001 to 100,000,000	\$500,000	
\$100,000,001 or more	\$1,000,000	

The Detroit Chamber has withdrawn this plan and now  
supports the Michigan Chamber Plan

## The Plans

### Grand Rapids Chamber

- This plan would combine a gross receipts based tax with a local tax proposal. **Under this plan, both the SBT and the personal property tax would be eliminated.**
- Businesses with less than \$350,000 in gross receipts that have one employee or more would pay a flat \$150 fee. Sole proprietors with no employees and gross receipts under \$350,000 would not pay the fee or the tax.
- The BAT plan would calculate gross receipts, but allow a deduction for personal property purchased for resale, manufacturing, or leasing. The remaining gross receipts would be taxed at a rate of .75% (.0075).
- In addition, a line would be added to the BAT tax form to replace the loss of the personal property tax revenue to local governments, however, the total tax rate for both local and state would not exceed the .0075 rate
- Would raise approximately 90% of the SBT and PPT revenue



## The Plans

### Michigan Chamber

- This proposal would combine a gross receipts and business income tax under one of two scenarios. Plan 1 would replace the single business tax revenue only, Plan 2 would also reduce the personal property tax by 50%.
- Under Plan 1 the tax on the gross receipts that exceed \$350,000 a year would be .18% (.0018) for wholesale and retail businesses and .24% (.0024) on all others. Under Plan 2 the rates would be .24% (.0024) for wholesale and retail businesses and .48% (.0048) on all others.
- The tax on business income would be a tax based on the apportioned, adjusted federal taxable income at a rate of 1.85% (.0185) under Plan 1 and 3.05% (.0305) under Plan 2.
- The maximum amount that any business would pay under the gross receipts tax would be capped at \$2 million.
- Businesses with less than \$350,000 in gross receipts that have one employee or more would pay a flat \$150 fee. Sole proprietors with no employees and gross receipts under \$350,000 would not pay the fee or the tax.

## **The Michigan Business Tax (2006)**

- The administration's Single Business Tax (SBT) replacement plan proposal offered at the end of 2006 is called the Michigan Business Tax (MBT).
- Businesses with \$350,000 or less in gross receipts would continue to be exempt.
- The plan would eliminate the "cliff" problem by phasing in the tax between \$350,001 and \$700,000 in gross receipts.
- The proposed tax would use three components as the tax base.
  - Business gross receipts would be taxed at 0.125% (.00125)
  - Assets at 0.125 percent - Assets would not include inventory.
  - Profits at 1.875 percent.
- In addition to the gross receipts exemption and phase-in, small businesses with less than \$10 million in gross receipts and less than \$115,000 in owner compensation would be allowed to use an alternative tax of 1.8 percent of adjusted income rather than the tax on the gross receipts, asset and income base.
- Also under the MBT plan, businesses that are currently paying personal property tax on industrial or commercial property (this would include most business personal property) will receive an exemption from the current 24 mills education assessment. For most businesses this would be a 46 percent property tax cut.



## **The Michigan Business Tax 2007**

- The Michigan Business Tax (MBT) 2007 Version raises \$500 million less, but is coupled to other tax increases:
- 2% Sales Tax on most Services – Raises \$1.47 billion
- Reinstate Michigan Estate (Death) Tax – Raises \$119 million
- An increase in the tax on other tobacco products and a five cent increase in the rate on cigarettes – Raises \$57.6 million
- An increase in liquor taxes and license fees - Raises \$29 million
- Other taxes and fees

## **Senate Business Economic Stimulus Tax (BEST) Plan**

- The Senate Plan is a gross receipts, business income and franchise tax (net worth) plan that allows the taxpayer to choose different plan scenarios under specific circumstances.
- For taxpayers with gross receipts less than or equal to \$100,000 there is no tax and the taxpayer is exempted.
- For taxpayers with gross receipts greater than \$100,000 but less than or equal to \$350,000 there is a flat tax of \$100.
- Taxpayers with gross receipts greater than \$350,000 but less than or equal to \$15 million, can choose to pay either the gross receipts tax or the business income tax. Whichever tax is chosen, the taxpayer must use that election for three years before being allowed to change the method.
- For gross receipts greater than \$350,000 but less than \$1 million there is also a phase-in credit to avoid the "cliff" problem of a tax payer being liable for all of the gross receipts base after they go over the \$350,000 threshold.
- The rate for the gross receipts tax and franchise tax is .72% or .0072. The rate for the business income tax is 1.5% or .0150.



## **Senate Business Economic Stimulus Tax (BEST) Plan**

- Taxpayers with gross receipts greater than \$15 million will pay the business income tax, the gross receipts tax and the franchise tax. The franchise tax base is assets less inventory, and then less liabilities.

The gross receipts tax base and the franchise tax base are combined to compute the tax against the tax rate of .72% or .0072. However, the taxpayer can choose to allocate the gross receipts and franchise tax base in a 70/30, 60/40, 50/50, 40/60 or 30/70 mix. Whichever allocation mix is chosen, the taxpayer must use that election for three years before being allowed to change the allocation.

- The Senate Plan also includes a 10% reduction for personal property acquired within the last 5 years for manufacturing / industrial businesses only and a total exemption for manufacturing / industrial businesses personal property acquired after 12-31-2007.

## The Plans

### FAIR Tax

- This proposal would seek to replace the Single Business Tax, and eliminate the personal property tax and the state income tax by replacing them with a higher rate sales tax that would include most services.
- A target rate of 9.5% is currently under consideration.
- To prevent a future legislature or governor from bringing back any of the taxes replaced by the new sales tax, the state constitution would be amended to require that any new statewide tax be approved by a vote of the people.
- Business to business transactions would be exempt from the new sales tax.
- Under this plan, state income tax payroll withholding and business & individual income tax filing would be eliminated.

### Possible Ballot Proposal

Not to be confused with governor's 2% service tax proposal



# The Challenge of definitions and terms among the various plans

- Assets
- Gross Receipts
- Cost of Goods Sold
- Purchases from other firms

# Concepts and Philosophy vs. Tax Liability

- Who is supporting the plan?
- A “net tax cut” vs. “your tax cut”
- The importance of running the numbers



# NFIB Michigan Tax Plan Calculator

**NFIB Michigan Tax Plan Calculator** Version 3.0

Type of Business: Design and manufacture of parts/feeding/material handling equipment

Enter the information in highlighted cells only.  
Cells with red triangles in the corner will show notes when cursor placed on cell

Annual Gross Receipts	2,930,857.00	If your business is wholesale or retail enter an "X" in this cell	
Total Assets	2,172,320.00		
Inventory	307,207.00		
Business Income	50,131.00	If you are a sole proprietor with no employees enter an "X" in this cell	
Personal Property Tax paid	2,085.00		
Single Business Tax Paid	12,092.00		

Gross Receipts are less than \$10,000,000 you may qualify for the Alternative Profits Tax (APT)

If you want to calculate your tax liability under the APT, and your owner income to any owner is greater than \$95,000 but less than \$115,000 enter that amount below:

Owner Income

Tax Plan Comparisons		
PPT = Personal Property Tax	Compare to current	
Michigan Business Tax	SBT + Personal Property Tax	
Total MBT	7,617.32	
Less PPT cut	(1,125.90)	
Net MBT	6,491.42	14,177.00
<hr/>		
MBT / APT Calculation	1,622.36	
Less PPT cut	(1,125.90)	
Net MBT / APT	496.46	14,177.00
<hr/>		
Michigan Chamber Plan2		
Total MChamber2	15,137.11	
Less PPT cut	(1,042.50)	
Net MChamber2	14,094.61	14,177.00
<hr/>		
Detroit Chamber Plan		
Total DChamber	7,500.00	14,177.00
<hr/>		
Grand Rapids Chamber Plan		
Total GRChamber	19,356.43	
Less PPT cut	(2,085.00)	
Net GRChamber	17,271.43	14,177.00

**NFIB Michigan Tax Plan Calculator** Version 3.0

Type of Business: Dentist

Enter the information in highlighted cells only.  
Cells with red triangles in the corner will show notes when cursor placed on cell

Annual Gross Receipts	444,000.00	If your business is wholesale or retail enter an "X" in this cell	
Total Assets	100,000.00		
Inventory	20,000.00		
Business Income	105,075.00	If you are a sole proprietor with no employees enter an "X" in this cell	
Personal Property Tax paid	1,245.00		
Single Business Tax Paid	2,280.00		

Gross Receipts are less than \$10,000,000 you may qualify for the Alternative Profits Tax (APT)

If you want to calculate your tax liability under the APT, and your owner income to any owner is greater than \$95,000 but less than \$115,000 enter that amount below:

Owner Income

Tax Plan Comparisons		
PPT=Personal Property Tax		Compare to current
Michigan Business Tax:		SBT + Personal Property Tax
Total MBT	683.88	
Less PPT cut	(672.30)	
Net MBT	11.58	3,525.00
<hr/>		
MBT / APT Calculation		
Less PPT cut	578.33	
Net MBT / APT	(672.30)	3,525.00
<hr/>		
Michigan Chamber Plan2		
Total MChamber2	3,655.99	
Less PPT cut	(622.50)	
Net MChamber2	3,033.49	3,525.00
<hr/>		
Detroit Chamber Plan		
Total DChamber	1,000.00	3,525.00
<hr/>		
Grand Rapids Chamber Plan		
Total GRChamber	705.00	
Less PPT cut	(1,245.00)	

# NFIB Michigan Tax Plan Calculator version 6.2

Type of Business: Restaurant

Enter the information in highlighted cells only.  
Cells with red triangles in the corner will show notes when cursor placed on cell

Annual Gross Receipts	3,125,000.00	If your business is wholesale or retail
Total Assets	1,516,002.00	enter an "X" in this cell ----> <span style="border: 1px solid black; padding: 2px 20px;"></span>
Total Liabilities	523,000.00	
Inventory	267,000.00	
Cost of Goods Sold	483,000.00	<--- Go to GRChamber COGS tab for this value
Purchases from other firms	583,000.00	
Business Income	188,946.00	If you are a sole proprietor with no employees
Personal Property Tax paid	4,980.00	enter an "X" in this cell ----> <span style="border: 1px solid black; padding: 2px 20px;"></span>
Single Business Tax Paid	3,778.00	
Owner Income	0.00	If you are a manufacturer / industrial business
		enter an "X" in this cell ----> <span style="border: 1px solid black; padding: 2px 20px;"></span>

Gross Receipts are less than \$10,000,000 you may qualify for the Alternative Profits Tax (APT)

If you want to calculate your tax liability under the APT, and your owner income to any owner is greater than \$95,000 but less than \$115,0000 enter that amount in the Owner Income cell

## Tax Plan Comparisons

PPT=Personal Property Tax

Michigan Business Tax:



Compare to current  
SBT + Personal Property Tax

Total MBT	8,868.53	
Less PPT cut	(2,290.80)	
Net MBT	6,577.73	8,758.00
*** Michigan Business Tax - Alternative Profits Tax ***		
MBT / APT Calculation	3,401.03	
Less PPT cut	(2,290.80)	
Net MBT / APT	1,110.23	8,758.00
Michigan Chamber Plan2		Chamber plan gross receipts cut in half
Total MChamber2	19,082.85	
Less PPT cut	(2,490.00)	
Net MChamber2	16,592.85	8,758.00 <span style="border: 1px solid black; padding: 2px 20px;">9,092.85</span>
Grand Rapids Chamber Pln		
Total GRChamber	19,815.00	
Less PPT cut	(4,980.00)	
Net GRChamber	14,835.00	8,758.00
Senate Tax Plan		
Total Senate Tax Plan	2,834.19	
Less PPT cut	Applies only to manufacturing	
Net Senate Tax Plan	2,834.19	8,758.00



# NFIB Michigan Tax Plan Calculator version 6.2

Type of Business: Residential Contractor

Enter the information in highlighted cells only.  
Cells with red triangles in the corner will show notes when cursor placed on cell

Annual Gross Receipts	2,510,000.00	If your business is wholesale or retail
Total Assets	244,693.00	enter an "X" in this cell -----> <input type="text"/>
Total Liabilities	75,000.00	
Inventory	5,000.00	
Cost of Goods Sold	548,000.00	<--- Go to GRChamber COGS tab for this value
Purchases from other firms	548,000.00	
Business Income	173,788.00	If you are a sole proprietor with no employees
Personal Property Tax paid	1,200.00	enter an "X" in this cell -----> <input type="text"/>
Single Business Tax Paid	9,084.00	
Owner Income	110,000.00	If you are a manufacturer / industrial business
		enter an "X" in this cell -----> <input type="text"/>

Gross Receipts are less than \$10,000,000 you may qualify for the Alternative Profits Tax (APT)

If you want to calculate your tax liability under the APT, and your owner income to any owner is greater than \$95,000 but less than \$115,000 enter that amount in the Owner Income cell

## Tax Plan Comparisons

PPT=Personal Property Tax

Michigan Business Tax:

Total MBT	6,565.30	
Less PPT cut	(552.00)	
Net MBT	6,013.30	10,284.00

\*\*\* Michigan Business Tax - Alternative Profits Tax \*\*\*

MBT / APT Calculation	5,877.88	
Less PPT cut	(552.00)	
Net MBT / APT	5,325.88	10,284.00

Michigan Chamber Plan2

Total MChamber2	15,668.53		Chamber plan gross receipts cut in half
Less PPT cut	(600.00)		↓
Net MChamber2	15,068.53	10,284.00	\$9,044.53

Grand Rapids Chamber Pln

Total GRChamber	14,715.00	
Less PPT cut	(1,200.00)	
Net GRChamber	13,515.00	10,284.00

Senate Tax Plan

Total Senate Tax Plan	2,606.82	
Less PPT cut	(0.00)	
Net Senate Tax Plan	2,606.82	10,284.00

Applies only to manufacturing

# NFIB Michigan Tax Plan Calculator version 6.2

Type of Business: Grocery Store Sample Data2

Enter the information in highlighted cells only.  
Cells with red triangles in the corner will show notes when cursor placed on cell

Annual Gross Receipts	6,055,300.00	If your business is wholesale or retail
Total Assets	2,048,200.00	enter an "X" in this cell -----> <input type="text" value="x"/>
Total Liabilities	1,609,200.00	
Inventory	448,600.00	
Cost of Goods Sold	3,947,475.00	<---- Go to GRChamber COGS tab for this value
Purchases from other firms	3,947,475.00	
Business Income	152,500.00	If you are a sole proprietor with no employees
Personal Property Tax paid	3,500.00	enter an "X" in this cell -----> <input type="text"/>
Single Business Tax Paid	3,050.00	
Owner Income		If you are a manufacturer / industrial business
		enter an "X" in this cell -----> <input type="text"/>

Gross Receipts are less than \$10,000,000 you may qualify for the Alternative Profits Tax (APT)

If you want to calculate your tax liability under the APT, and your owner income to any owner is greater than \$95,000 but less than \$115,000 enter that amount in the Owner Income cell

## Tax Plan Comparisons

PPT=Personal Property Tax

Michigan Business Tax:

NOTE: Information on this page is derived from a 2007 survey.

Compare to current  
SBT + Personal Property Tax

Total MBT	12,313.63	
Less PPT cut	(1,610.00)	
Net MBT	10,703.63	6,550.00

\*\*\* Michigan Business Tax - Alternative Profits Tax \*\*\*

MBT / APT Calculation	2,745.00	
Less PPT cut	(1,610.00)	
Net MBT / APT	1,135.00	6,550.00

Michigan Chamber Plan2

Total MChamber2	18,343.97	Chamber plan gross receipts cut in half
Less PPT cut	(1,750.00)	
Net MChamber2	16,593.97	6,550.00 <input type="text" value="9,261.25"/>

Grand Rapids Chamber Pln

Total GRChamber	15,808.69	
Less PPT cut	(3,500.00)	
Net GRChamber	12,308.69	6,550.00

Senate Tax Plan

Total Senate Tax Plan	2,287.50	
Less PPT cut		Applies only to manufacturing
Net Senate Tax Plan	2,287.50	6,550.00



# NFIB Michigan Tax Plan Calculator version 6.2

Type of Business: Plastic Injection Moulding

Enter the information in highlighted cells only.  
Cells with red triangles in the corner will show notes when cursor placed on cell

Annual Gross Receipts	6,870,887.00	If your business is wholesale or retail
Total Assets	3,415,735.00	enter an "X" in this cell -----> <input type="text"/>
Total Liabilities	950,000.00	
Inventory	421,692.00	
Cost of Goods Sold	2,608,308.00	<---- Go to GRChamber COGS tab for this value
Purchases from other firms	2,608,308.00	
Business Income	478,240.00	If you are a sole proprietor with no employees
Personal Property Tax paid	50,102.00	enter an "X" in this cell -----> <input type="text"/>
Single Business Tax Paid	10,595.00	
Owner Income		If you are a manufacturer / industrial business
		enter an "X" in this cell -----> <input type="text" value="x"/>

Gross Receipts are less than \$10,000,000 you may qualify for the Alternative Profits Tax (APT)

If you want to calculate your tax liability under the APT, and your owner income to any owner is greater than \$95,000 but less than \$115,000 enter that amount in the Owner Income cell

## Tax Plan Comparisons

PPT=Personal Property Tax

Michigan Business Tax:

Total MBT	20,939.48
Less PPT cut	(23,046.92)
Net MBT	(2,107.44)

\*\*\* Michigan Business Tax - Alternative Profits Tax \*\*\*

MBT / APT Calculation	8,608.32
Less PPT cut	(23,046.92)
Net MBT / APT	(14,438.60)

Compare to current  
SBT + Personal Property Tax

60,697.00

60,697.00

Michigan Chamber Plan2

Total MChamber2	45,886.58
Less PPT cut	(25,051.00)
Net MChamber2	20,835.58

Chamber plan gross receipts cut in half

60,697.00      ↓  
\$4,345.45

Grand Rapids Chamber Pln

Total GRChamber	31,969.34
Less PPT cut	(50,102.00)
Net GRChamber	(18,132.66)

60,697.00

Senate Tax Plan

Total Senate Tax Plan	7,173.60
Less PPT cut	5,010.20
Net Senate Tax Plan	2,163.40

60,697.00

## Small Business Profile: MICHIGAN

Entrepreneurs, innovators, and small businesses are key players in the economy of Michigan. They make up most of the employer firms in the state, and their contribution is indispensable. Their diverse composition and the spectrum of opportunities they offer are captured in this *Small Business Profile*, using the most current federal data available.

**Number of Businesses.** The state had an estimated total of 822,000 small businesses based on the most recent data.<sup>1</sup> Firms with employees numbered 214,316 in 2005, of which an estimated 98.4 percent or 210,887 were small firms (fewer than 500 employees). Self-employment (including incorporated) increased by 4.1 percent, from 468,024 in 2004 to 487,349 in 2005.<sup>2</sup> In 2004, non-employer firms increased by 4.9 percent and numbered 611,018. (Sources: U.S. Dept. of Labor, Employment and Training Administration; U.S. Dept. of Commerce, Census Bureau; U.S. Dept. of Labor, Bureau of Labor Statistics.)

**Women-Owned Firms.** Firms owned by women increased 18 percent between 1997 and 2002, from 184,590 to 217,674; they represented 29.6 percent of the state's total businesses in 2002. These firms (with and without paid employees) generated \$29.3 billion in revenues in 2002. Of the total number of women-owned firms, 13.3 percent or 28,999 firms were employer firms. In 2005, self-employed women totaled 160,268, a decrease of 2.8 percent from 2004, and they represented 32.9 percent of self-employed persons in the state. (Sources: U.S. Dept. of Labor, Bureau of Labor Statistics; U.S. Dept. of Commerce, Census Bureau.)

**Minority-Owned Firms.**<sup>3</sup> In 2002, Asian-owned firms totaled 15,286 and generated \$5.1 billion in receipts; Black-owned firms numbered 44,366 and generated \$4.3 billion in receipts; and Hispanic-owned businesses totaled 9,842 and created \$3.2 billion in receipts. American Indian- and Alaska Native-owned firms numbered 5,361, and they generated \$700 million in receipts; the number of Native Hawaiian- and other Pacific Islander-owned firms was 196, and they generated \$37 million in receipts in 2002. (Source: U.S. Dept. of Commerce, Census Bureau.)

<sup>1</sup> The Office of Advocacy's estimated total of state small businesses is based on the percent of small businesses (2003 Census firm size data) multiplied by the state's total number of employer businesses in 2005 (Dept. of Labor). The 2004 number of non-employer firms is added to this total (Census Bureau).

<sup>2</sup> The definition of self-employment has changed; as a result, statistics in the *Small Business Profiles* before 2004 are not comparable.

<sup>3</sup> Minority owners may belong to more than one minority group, so adding the different groups will result in double counting.

**Business Turnover.** New employer businesses in 2005 were estimated at 24,642, which is 0.1 percent more than the previous year. Business bankruptcies increased by 57.3 percent, to 1,071 in 2005, while business terminations increased by 9.7 percent, to 26,971 during the same period. (Sources: U.S. Dept. of Labor, Employment and Training Administration; Administrative Office of the U.S. Courts.)

**Employment.** There were 189,311 employer firms with fewer than 500 employees in 2003;<sup>4</sup> they provided 2,001,591 jobs in the state. These firms represented 98.4 percent of the employer businesses in the state and employed 51.5 percent of the state's non-farm private sector workforce (Table 1). Between 2002 and 2003, total small business net new jobs amounted to 51,606 (Table 2). (Source: U.S. Dept. of Commerce, Census Bureau, Statistics of U.S. Businesses.)

**Small Business Income.** Non-farm proprietors' income, which is a partial measure of small business income, increased by 7.4 percent to \$29.1 billion in 2005. (Source: U.S. Dept. of Commerce.)

**Finance.**<sup>5</sup> Two important sources of small business financing are commercial banks and savings and loan institutions, which owners rely on for their financial needs. The total number of operating bank and savings bank branches in the state increased in 2005 (Table 3). A list of financial institutions in each state that make loans to small businesses has been compiled by the Office of Advocacy and is available at: [www.sba.gov/advo/research/lending.html](http://www.sba.gov/advo/research/lending.html).

To learn more about the Office of Advocacy's data and analyses of small business, visit [www.sba.gov/advo/research](http://www.sba.gov/advo/research), call (202) 205-6533, or email [advocacy@sba.gov](mailto:advocacy@sba.gov). Sign up at <http://web.sba.gov/list> for email delivery of:

- Advocacy Newsletter
- Advocacy Press
- Advocacy Regulatory News
- Advocacy Research

For RSS feeds, visit [www.sba.gov/advo/rsslibrary.html](http://www.sba.gov/advo/rsslibrary.html).

<sup>4</sup> The latest year for which the data by size classification exist.

<sup>5</sup> This year's edition of *Small Business Profiles* covers the state's number of branches of commercial banks and savings institutions. Previous reports covered a smaller number of financial institutions—only parent banks, not their branches or those of savings institutions.



**Table 1. Firms and Employment in Michigan by Industry and Firm Size, 2003 and 2004 (Thousands)**

Industry	Non-Employer Firms (2004)	Employer Firms (2003)			Employment (2003)		
		Total	< 100	< 500	Total	< 100	< 500
<b>Total</b>	<b>611.0</b>	<b>192.31</b>	<b>185.27</b>	<b>189.31</b>	<b>3,885.22</b>	<b>1,418.3</b>	<b>2,001.59</b>
Agriculture, forestry, fishing, and hunting	5.3	0.64	0.63	0.63	3.19	2.61	3.07
Mining	2.5	0.39	0.35	0.37	5.48	2.32	2.74
Utilities	0.4	0.13	0.10	0.11	24.22	0.91	1.37
Construction	81.0	26.26	26.06	26.19	168.65	137.66	156.34
Manufacturing	10.7	13.40	11.99	12.82	679.64	167.54	288.29
Wholesale trade	11.0	10.63	9.58	10.00	174.2	79.18	108.08
Retail trade	62.6	26.31	25.39	25.83	521.13	190.79	240.35
Transportation and warehousing	21.7	4.55	4.14	4.30	100.41	26.15	39.29
Information	7.3	2.07	1.79	1.88	95.52	14.68	21.56
Finance and insurance	19.3	7.27	6.82	7.00	172.81	45.46	66.13
Real estate, and rental and leasing	74.9	7.15	6.92	7.02	57.08	31.58	40.05
Professional, scientific, and technical services	72.6	20.63	19.83	20.25	299.64	107.87	152.39
Management of companies and enterprises	N/A	1.07	0.37	0.65	123.12	3.41	11.78
Admin., support, waste mgt., and remed. serv.	38.8	10.25	9.42	9.95	304.61	75.29	158.62
Educational services	13.1	1.81	1.69	1.76	64.53	20.12	32.55
Health care and social assistance	65.9	19.74	19.05	19.54	521.73	167.36	258.86
Arts, entertainment, and recreation	24.7	3.45	3.33	3.41	56.35	27.99	37.94
Accommodation and food services	7.4	14.77	14.30	14.59	331.09	171.03	218.4
Other services	91.7	23.05	22.73	22.90	178.87	143.35	160.81
Unclassified	N/A	1.54	1.54	1.54	2.97	2.97	2.97

\*Data suppressed to protect the confidentiality of individual firms. N/A = not available.

Source: U.S. Dept. of Commerce, Census Bureau.

**Table 2. Non-Farm Establishment Job Gains and Losses by Firm Size, 2002–2003 (Thousands)**

	Total	Firm Size (Number of Employees)		
		1–19	1–499	500+
Job gains:				
New establishments	202.9	55.3	119.5	83.4
Expanding establishments	384.5	117.9	245.3	139.2
Job losses:				
Downsized establishments	-406.1	-75.6	-203.4	-202.7
Closed establishments	-185.6	-50.7	-109.8	-75.9
<b>Net change in employment</b>	<b>-4.3</b>	<b>46.9</b>	<b>51.6</b>	<b>-55.9</b>

Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses.

**Table 3. Number of Bank and Savings Institution Branches in Michigan, 2001–2005**

2001	2002	2003	2004	2005
2,828	2,766	2,810	3,057	3,116

Source: U.S. Small Business Administration, Office of Advocacy, from data collected by Federal Deposit Insurance Corporation, Statistics on Banking.

Note: A full list of small business lending banks collected by the Federal Reserve Board can be found on the Office of Advocacy's website at [www.sba.gov/advo/research/lending.html](http://www.sba.gov/advo/research/lending.html).

# How Many Jobs Did Small Businesses Create in Michigan?



As the chart below shows, Michigan businesses with less than 100 employees in 2002 had a net *increase* of 52,318 in their employment in one year. On the other hand, businesses with more than 100 employees had a net *decrease* of 56,653, and almost all of this number came from companies that had had 500 or more employees in 2002. From 1991 to 2003, the cohort of businesses with 1-4 employees has been the only one that has added new jobs each and every year.

## Job Creation By Firm Size 2002-2003

Number of Employees <u>in 2002</u>	Jobs these Firms Created <u>by 2003</u>
1-4 employees	32,587
5-9 employees	7,690
10-19 employees	6,630
20-99 employees	5,411
less than 100 employees	52,318
100-499 employees	(712)
500+ employees	<u>(55,941)</u>
<b>Total net new jobs</b>	<b>(4,335)</b>

Source: SBA Office of Advocacy

This publication was created by the Michigan District Office of the U.S. Small Business Administration. For a copy of this report in .PDF format, please call (313) 226-6075 x225 or by e-mail [annette.hall@sba.gov](mailto:annette.hall@sba.gov).  
Report Editors: Annette Hall, Richard Temkin